

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Auburn Hills Library	County Oakland
Audit Date December 31, 2004	Opinion Date August 2, 2005	Date Accountant Report Submitted To State: January 17, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

# **Auburn Hills Library**

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**Financial Report**  
**December 31, 2004**

# **Auburn Hills Library**

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## Independent Auditor's Report

To the Auburn Hills Library Board  
City of Auburn Hills, Michigan

We have audited the accompanying basic financial statements of Auburn Hills Library as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Auburn Hills Library Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Auburn Hills Library as of December 31, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

As described in Note 1 to the financial statements, Auburn Hills Library's financial statements reflect the provisions of GASB Statement No. 34 as of January 1, 2004.

*Plante & Moran, PLLC*

August 2, 2005

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# Auburn Hills Library

## Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2004

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
<b>Assets</b>			
Investments (Note 3)	\$ 542,482	\$ -	\$ 542,482
Property taxes receivable (Note 1)	1,218,355	-	1,218,355
Due from other governmental units	33,821	-	33,821
Capital assets - Net (Note 4)	-	269,943	269,943
Total assets	<u>\$ 1,794,658</u>	269,943	2,064,601
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 13,075	-	13,075
Accrued payroll	49,320	-	49,320
Deferred revenue (Note 1)	1,218,355	-	1,218,355
Long-term debt (Note 5)	-	112,318	112,318
Total liabilities	1,280,750	112,318	1,393,068
<b>Fund Balance - Unreserved</b>			
Designated for contributions	15,903	(15,903)	-
Undesignated	498,005	(498,005)	-
Total fund balance	<u>513,908</u>	<u>(513,908)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,794,658</u>		
<b>Net Assets</b>			
Invested in capital assets		269,943	269,943
Unrestricted		401,590	401,590
Total net assets		<u>\$ 671,533</u>	<u>\$ 671,533</u>

# Auburn Hills Library

## Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2004

	General Fund - Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
<b>Revenue</b>			
Property taxes - City of Auburn Hills	\$ 1,240,515	\$ -	\$ 1,240,515
Contributions and donations	3,875	-	3,875
State penal fines	28,432	-	28,432
State aid	25,930	-	25,930
Interest and other	30,368	-	30,368
Total revenue	1,329,120	-	1,329,120
<b>Expenditures</b>			
Salaries	506,151	-	506,151
Fringe benefits	176,716	-	176,716
Supplies	28,483	-	28,483
Administrative	215,579	-	215,579
Communications	5,095	-	5,095
Rent	81,830	-	81,830
Memberships and dues	13,768	-	13,768
Capital outlay	140,097	(99,996)	40,101
Depreciation	-	128,539	128,539
Maintenance	6,601	-	6,601
Insurance	11,598	-	11,598
Tax refunds	596	26,594	27,190
Other	14,817	-	14,817
Total expenditures	1,201,331	55,137	1,256,468
<b>Excess of Revenue Over Expenditures/Change in Net Assets</b>	127,789	(55,137)	72,652
<b>Fund Balance/Net Assets - Beginning of year</b>	386,119	212,762	598,881
<b>Fund Balance/Net Assets - End of year</b>	<u>\$ 513,908</u>	<u>\$ 157,625</u>	<u>\$ 671,533</u>

### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies**

Auburn Hills Library (the "Library") is located in the City of Auburn Hills, Michigan. The Library is primarily funded through a tax levy, fines, and fees. Revenue is used to operate and staff the Library. The Library facility is owned by the City of Auburn Hills. The Library pays rent on a month-to month basis.

The accounting policies of Auburn Hills Library conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The Library is governed by a six-member elected board. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Library that are to be included in the reporting entity.

Effective January 1, 2004, Auburn Hills Library implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Changes as a result of Statement No. 34 include the presentation of combined governmental fund modified accrual and government-wide full accrual financial statements. As of and for the year ended December 31, 2004, adjustments were made to the amounts in the governmental fund for capital assets and long-term debt in order to arrive at the government-wide full accrual financial statements.

#### **Basis of Accounting**

The Library follows the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Fines, contributions, and certain miscellaneous revenue are recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on the following December 1. These taxes are billed on December 1 with the final collection date of February 28 before they are added to the county tax rolls.

### **Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at December 31. The 2003 taxable valuation for the City of Auburn Hills totaled approximately \$2,318,000,000 (a portion of which is abated and a portion of which is captured by the TIFA districts).

- b. There are .7041 mills are levied for Library operating purposes, resulting in property tax revenue of approximately \$1,240,000.
- c. Payments for types of supplies that can be inventoried are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

**Investments** - Investments are recorded at fair value.

**Capital Assets** - Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, fixtures, and equipment	5 years
Library books and audiovisual materials	5 years

**Budget Information** - The annual budget is prepared by the library director during May or June for the next fiscal year. The budget is presented to the library board in June or July for adoption. Subsequent amendments are approved by the library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2004 has not been calculated. During the current year, there were no amendments to the budget.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.



### **Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)**

The budget has been adopted for the Library activity in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as prepared by the library board is included in the subtotals for total revenue and total expenditures in the required supplemental information section. The remaining budget-to-actual detail is used to provide additional analysis for management purposes.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements**

Total fund balance and the net change in fund balance of the Library's General Fund differs from the net assets and change in net assets of the Library's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the governmental fund balance sheet and statement of governmental revenue, expenditures, and changes in fund balance.

### Note 2 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements (Continued)

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Fund Balance - General Fund - Modified Accrual Basis</b>	<b>\$ 513,908</b>
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	269,943
Long-term liabilities for tax tribunal cases are not due and payable in the current period and are not reported in the funds	<u>(112,318)</u>
<b>Net Assets - Full Accrual Basis</b>	<b><u>\$ 671,533</u></b>
 <b>Modified Accrual Basis</b>	 <b>\$ 127,789</b>
Amounts reported in the statement of activities are different because:	
Depreciation is recorded as an expense in the statement of net assets	(128,539)
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance	99,996
General liability claims are recorded when earned in the statement of activities	<u>(26,594)</u>
<b>Change in Net Assets - Full Accrual Basis</b>	<b><u>\$ 72,652</u></b>

# Auburn Hills Library

## Notes to Financial Statements December 31, 2004

### Note 3 - Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentally of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library's investments during the year consisted solely of bank investment pools. There was \$542,482 invested in such funds at December 31, 2004, at which time the market value of such funds approximated cost. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the Library; however, investment pools are not categorized because they do not typically exist in physical or book-entry form. The Library believes that the investments in these funds comply with the investment authority noted above.

### Note 4 - Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 89,404	\$ 1,673	\$ -	\$ 91,077
Library books and audio visual materials	519,435	98,323	47,823	569,935
Subtotal	608,839	99,996	47,823	661,012
Accumulated depreciation:				
Furniture, fixtures, and equipment	36,670	18,215	-	54,885
Library books and audio visual materials	273,683	110,324	47,823	336,184
Subtotal	310,353	128,539	47,823	391,069
Net capital assets	\$ 298,486	\$ (28,543)	\$ -	\$ 269,943

### **Note 5 - Long-term Debt**

The long-term debt reported represents an estimate of the Library's potential exposure for pending property tax appeals for assessments dating back to 1999.

### **Note 6 - Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these potential risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

## **Required Supplemental Information**

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# Auburn Hills Library

## Budgetary Comparison Statement Governmental Fund Year Ended December 31, 2004

	Original and Final Budget *	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Property taxes - City of Auburn Hills	\$ 1,253,038	\$ 1,240,515	\$ (12,523)
Contributions and donations	-	3,875	3,875
State penal fines	25,000	28,432	3,432
State aid	18,805	25,930	7,125
Interest and other	25,500	30,368	4,868
Total revenue	1,322,343	1,329,120	6,777
<b>Expenditures</b>			
Salaries	516,000	506,151	9,849
Fringe benefits	179,821	176,716	3,105
Supplies	47,000	28,483	18,517
Administrative	220,955	215,579	5,376
Communications	7,000	5,095	1,905
Rent	81,830	81,830	-
Memberships and dues	13,000	13,768	(768)
Capital outlay	189,500	140,097	49,403
Maintenance	13,000	6,601	6,399
Insurance	8,500	11,598	(3,098)
Tax refunds	20,000	596	19,404
Other	25,737	14,817	10,920
Total expenditures	1,322,343	1,201,331	121,012
<b>Excess of Revenue Over Expenditures</b>	-	127,789	127,789
<b>Fund Balance - Beginning of year</b>	386,119	386,119	-
<b>Fund Balance - End of year</b>	<u>\$ 386,119</u>	<u>\$ 513,908</u>	<u>\$ 127,789</u>

\* Note: There were no budget amendments during the year